

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

FINANCIAL REPORT WITH  
SUPPLEMENTARY INFORMATION

Year Ended December 31, 2006

## AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

<b>Local Government Type</b> <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		<b>Local Government Name</b> Charter Township of Polkton	<b>County</b> Ottawa
<b>Audit Date</b> December 31, 2006	<b>Opinion Date</b> March 9, 2007	<b>Date Accountant Report Submitted to State:</b> March 13, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

<b>Certified Public Accountant (Firm Name)</b> Campbell, Kusterer & Co., P.C.			
<b>Street Address</b> 512 N. Lincoln, Suite 100, P.O. Box 686	<b>City</b> Bay City	<b>State</b> MI	<b>Zip</b> 48707
<b>Accountant Signature</b> <i>Campbell, Kusterer &amp; Co., P.C.</i>			

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

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# CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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March 9, 2007

## INDEPENDENT AUDITOR'S REPORT

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and each major fund of Charter Township of Polkton, Ottawa County, Michigan as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Polkton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Charter Township of Polkton, Ottawa County, Michigan as of December 31, 2006, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2006

The Management's Discussion and Analysis report of the Charter Township of Polkton covers the Township's financial performance during the year ended December 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net Assets on 12-31-2006 totaled \$1,211,275.07 for governmental activities and \$242,085.62 for business activities (water). Overall total capital assets remained approximately the same as 2005.

Overall revenues were \$788,788.12 (\$739,091.46 from governmental activities and \$39,696.66 from business-type activities.) Government activities had no major road investments this year. There was also a loss of 1% in revenue sharing. Business activities had no major investment.

Taxable value increased by 8.8% over 2005.

Long-term debt of \$79,862.28 for a sidewalk over I-96 owed to Ottawa County Road Commission was paid off in full in 2006.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental and business-type activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2006

ENTITY-WIDE FINANCIAL STATEMENTS (continued)

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities and business-type activities. These include the General Fund, Road Fund, Public Improvement Fund, Water Fund, Fire Fund and the Senior Services Fund.

FUND FINANCIAL STATEMENTS

The Township has the following types of funds:

Governmental Funds: Some of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. The Township's governmental funds include the General Fund, Fire Fund, Road Fund, Senior Services Fund and Public Improvement Fund.

Business-Type Funds: The Township has a Water Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

We continue to pay our water loans as assessments come in. The original 20 year loan taken out in 1998 of \$395,000.00 is now down to \$260,000.00. We did not have a water rate increase this year.

Our cash position in both the governmental and business-type activities remains strong.

Debt incurred in 2004 for the sidewalk over I-96 owed to Ottawa County Road Commission was paid in full in 2006.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are the Fire Department for which a mileage was passed in 2004 of 1 mill (expenses were \$74,856.00).

The Landfill continues to be a major source of income for the Township at \$120,183.00.

The Water Fund incurred \$28,529.00 in operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Governmental activities invested \$0 in capital assets.

Business-type activities invested \$0 in capital assets.

Governmental activities paid \$79,862.00 in full on the Road-Sidewalk Debt.

Business-type (Water) activities paid \$20,000.00 on water bond principal.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is uncertain and it represents 33% of our income. We continue to grow at a 8.8% rate in taxable values. This represents an increase in growth of housing starts and therefore the infrastructure which goes along with development. The Ottawa County Farms Landfill continues to be a major revenue source for the Township.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended December 31, 2006

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or the Township Treasurer at 616-837-6876.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
December 31, 2006

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
CURRENT ASSETS:			
Cash in bank	337 597 98	9 795 29	347 393 27
Investments	829 101 56	136 920 81	966 022 37
Accounts receivable	11 113 97	2 797 36	13 911 33
Taxes receivable	241 315 89	8 950 52	250 266 41
Special assessments receivable	-	83 010 46	83 010 46
Total Current Assets	<u>1 419 129 40</u>	<u>241 474 44</u>	<u>1 660 603 84</u>
NON-CURRENT ASSETS:			
Capital Assets	324 975 00	471 511 00	796 486 00
Less: Accumulated Depreciation	<u>(140 398 00)</u>	<u>(113 160 00)</u>	<u>(253 558 00)</u>
Total Non-current Assets	<u>184 577 00</u>	<u>358 351 00</u>	<u>542 928 00</u>
TOTAL ASSETS	<u>1 603 706 40</u>	<u>599 825 44</u>	<u>2 203 531 84</u>
LIABILITIES AND NET ASSETS:			
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable	1 981 94	2 761 34	4 743 28
Deferred revenue	<u>390 449 39</u>	<u>94 978 48</u>	<u>485 427 87</u>
Total Current Liabilities	<u>392 431 33</u>	<u>97 739 82</u>	<u>490 171 15</u>
NON-CURRENT LIABILITIES:			
Contracts payable	<u>-</u>	<u>260 000 00</u>	<u>260 000 00</u>
Total Non-current Liabilities	<u>-</u>	<u>260 000 00</u>	<u>260 000 00</u>
Total Liabilities	<u>392 431 33</u>	<u>357 739 82</u>	<u>750 171 15</u>
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	184 577 00	98 351 00	282 928 00
Unrestricted	<u>1 026 698 07</u>	<u>143 734 62</u>	<u>1 170 432 69</u>
Total Net Assets	<u>1 211 275 07</u>	<u>242 085 62</u>	<u>1 453 360 69</u>
TOTAL LIABILITIES AND NET ASSETS	<u>1 603 706 40</u>	<u>599 825 44</u>	<u>2 203 531 84</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
Year ended December 31, 2006

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<b>FUNCTIONS/PROGRAMS</b>			
Governmental Activities:			
Legislative	91 131 39	-	(91 131 39)
General government	109 652 08	30 535 10	(79 116 98)
Public safety	131 830 02	20 382 19	(111 447 83)
Public works	33 979 63	120 183 30	86 203 67
Other	<u>22 009 42</u>	<u>-</u>	<u>(22 009 42)</u>
Total Governmental Activities	<u>388 602 54</u>	<u>171 100 59</u>	<u>(217 501 95)</u>
Business-Type Activities:			
Water	<u>35 278 91</u>	<u>33 990 10</u>	<u>-</u>
Total Business-Type Activities	<u>35 278 91</u>	<u>33 990 10</u>	<u>-</u>
Total Government	<u>423 881 45</u>	<u>205 090 69</u>	<u>(217 501 95)</u>
General Revenues:			
Transfers			(10 400 00)
Property taxes			332 476 58
State revenue sharing			166 183 24
Interest			44 753 49
Miscellaneous			<u>24 577 56</u>
Total General Revenues			<u>557 590 87</u>
Change in net assets			340 088 92
Net assets, beginning of year			<u>871 186 15</u>
Net Assets, End of Year			<u>1 211 275 07</u>

The accompanying notes are an integral part of these financial statements.

<u>Business-Type Activities</u>	<u>Total</u>
<u>Net (Expense) Revenue and Changes in Net Assets</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
-	(91 131 39)
-	(79 116 98)
-	(111 447 83)
-	86 203 67
<u>-</u>	<u>(22 009 42)</u>
<u>-</u>	<u>(217 501 95)</u>
<u>(1 288 81)</u>	<u>(1 288 81)</u>
<u>(1 288 81)</u>	<u>(1 288 81)</u>
<u>(1 288 81)</u>	<u>(218 790 76)</u>
10 400 00	-
-	332 476 58
-	166 183 24
5 706 56	50 460 05
<u>-</u>	<u>24 577 56</u>
<u>16 106 56</u>	<u>573 697 43</u>
14 817 75	354 906 67
<u>227 267 87</u>	<u>1 098 454 02</u>
<u><u>242 085 62</u></u>	<u><u>1 453 360 69</u></u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS  
December 31, 2006

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
<u>Assets</u>				
Cash in bank	188 464 48	-	-	-
Investments	557 473 10	208 322 97	22 469 78	40 835 71
Accounts receivable	11 113 97	-	-	-
Due from other funds	<u>112 851 82</u>	<u>169 905 99</u>	<u>86 156 39</u>	<u>21 534 19</u>
Total Assets	<u>869 903 37</u>	<u>378 228 96</u>	<u>108 627 17</u>	<u>62 369 90</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Accounts payable	1 981 94	-	-	-
Deferred revenue	<u>112 851 82</u>	<u>169 905 99</u>	<u>86 157 39</u>	<u>21 534 19</u>
Total liabilities	<u>114 833 76</u>	<u>169 905 99</u>	<u>86 157 39</u>	<u>21 534 19</u>
Fund equity:				
Fund balances:				
Unreserved:				
Undesignated	<u>755 069 61</u>	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>
Total fund equity	<u>755 069 61</u>	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>
Total Liabilities and Fund Equity	<u>869 903 37</u>	<u>378 228 96</u>	<u>108 627 17</u>	<u>62 369 90</u>

The accompanying notes are an integral part of these financial statements.

Total

188 464 48  
829 101 56  
11 113 97  
390 449 39  
1 419 129 40

1 981 94  
390 449 39  
392 431 33

1 026 698 07  
1 026 698 07  
1 419 129 40

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
December 31, 2006

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 1 026 698 07

Amounts reported for governmental activities in the statement of  
net assets are different because –

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	324 975 00
Accumulated depreciation	<u>(140 398 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 1 211 275 07

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS  
Year ended December 31, 2006

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
Revenues:				
Property taxes	76 491 20	156 695 18	79 436 36	19 853 84
Licenses and permits	20 382 19	-	-	-
State revenue sharing	160 610 55	5 572 69	-	-
Charges for services:				
Property tax administration	27 941 50	-	-	-
Landfill	120 183 30	-	-	-
Interest	35 426 19	6 505 60	1 152 85	1 668 85
Rents	750 00	-	-	-
Special assessments	1 843 60	-	-	-
Miscellaneous	<u>24 577 56</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>468 206 09</u>	<u>168 773 47</u>	<u>80 589 21</u>	<u>21 522 69</u>
Expenditures:				
Legislative:				
Township Board	91 131 39	-	-	-
General government:				
Supervisor	12 975 00	-	-	-
Elections	6 237 77	-	-	-
Assessor	15 773 95	-	-	-
Clerk	18 318 24	-	-	-
Board of Review	758 62	-	-	-
Treasurer	18 102 07	-	-	-
Building and grounds	17 487 43	-	-	-
Cemetery	11 600 00	-	-	-
Public safety:				
Police protection	15 785 14	-	-	-
Fire protection	165 39	-	74 690 61	-
Ambulance	20 655 00	-	-	-
Protective inspection	15 493 95	-	-	-
Planning Commission	4 809 93	-	-	-
Zoning Board of Appeals	230 00	-	-	-
Public works:				
Highways and streets	30 802 08	-	-	-
Street lighting	3 177 55	-	-	-
Other:				
Payroll taxes	2 155 58	-	-	-
Senior services	-	-	-	19 853 84
Debt service	<u>79 862 28</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>365 521 37</u>	<u>-</u>	<u>74 690 61</u>	<u>19 853 84</u>
Excess of revenues over expenditures	<u>102 684 74</u>	<u>168 773 47</u>	<u>5 898 60</u>	<u>1 668 85</u>

The accompanying notes are an integral part of these financial statements.

<u>Total</u>
332 476 58
20 382 19
166 183 24
27 941 50
120 183 30
44 753 49
750 00
1 843 60
<u>24 577 56</u>
<u>739 091 46</u>

91 131 39
12 975 00
6 237 77
15 773 95
18 318 24
758 62
18 102 07
17 487 43
11 600 00
15 785 14
74 856 00
20 655 00
15 493 95
4 809 93
230 00
30 802 08
3 177 55
2 155 58
19 853 84
<u>79 862 28</u>
<u>460 065 82</u>
<u>279 025 64</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –  
GOVERNMENTAL FUNDS

Year ended December 31, 2006

	<u>General</u>	<u>Road</u>	<u>Fire</u>	<u>Other</u>
Other financing sources (uses):				
Transfers out	<u>(10 400 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(10 400 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	92 284 72	168 773 47	5 898 60	1 668 85
Fund balances, January 1	<u>662 784 89</u>	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>
Fund Balances, December 31	<u>755 069 61</u>	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>

The accompanying notes are an integral part of these financial statements.

Total  
(10 400 00)  
(10 400 00)

268 625 64

758 072 43

1 026 698 07

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended December 31, 2006

NET CHANGES IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS 268 625 64

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,  
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(8 399 00)
Capital Outlay	-

Repayment of debt principal is an expenditure in the governmental funds, the  
repayment does not have an effect in the statement of activities but does  
reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>79 862 28</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>340 088 92</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF NET ASSETS – BUSINESS-TYPE FUNDS  
December 31, 2006

	<u>Water Fund</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	6 777 79
Investments	136 920 81
Accounts receivable	2 797 36
Special assessments receivable	83 010 46
Due from other funds	<u>11 968 02</u>
Total Current Assets	<u>241 474 44</u>
NON-CURRENT ASSETS:	
Capital Assets	471 511 00
Less: Accumulated Depreciation	<u>(113 160 00)</u>
Total Non-current Assets	<u>358 351 00</u>
TOTAL ASSETS	<u><u>599 825 44</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable	2 761 34
Deferred revenue	<u>94 978 48</u>
Total Current Liabilities	<u>97 739 82</u>
NON-CURRENT LIABILITIES:	
Contract payable	<u>260 000 00</u>
Total Non-current Liabilities	<u>260 000 00</u>
Total Liabilities	<u>357 739 82</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	98 351 00
Unrestricted	<u>143 734 62</u>
Total Net Assets	<u>242 085 62</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>599 825 44</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS –  
BUSINESS-TYPE FUNDS  
Year ended December 31, 2006

	<u>Water Fund</u>
OPERATING REVENUES:	
Charges for Services:	
Water charges	13 138 33
Special assessments	19 912 23
Miscellaneous	<u>939 54</u>
Total Operating Revenues	<u>33 990 10</u>
OPERATING EXPENSES:	
Water	19 098 92
Depreciation	<u>9 430 00</u>
Total Operating Expenses	<u>28 528 92</u>
Operating Income	<u>5 461 18</u>
NON-OPERATING REVENUES (EXPENSES):	
Transfers from other funds	10 400 00
Interest income	5 706 56
Interest expense	<u>(6 749 99)</u>
Net Non-operating Revenues (Expenses)	<u>9 356 57</u>
Change in net assets	14 817 75
Net assets, beginning of year	<u>227 267 87</u>
Net Assets, End of Year	<u><u>242 085 62</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

STATEMENT OF CASH FLOWS – BUSINESS-TYPE FUNDS  
Year ended December 31, 2006

	<u>Water Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	34 071 67
Cash payments to supplies	<u>(17 838 92)</u>
Net cash provided (used) by operating activities	<u>16 232 75</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
Net borrowings (repayments) with other funds	(317 79)
Transfers (to) from other funds	<u>10 400 00</u>
Net cash provided (used) by non-capital financing activities	<u>10 082 21</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal on contracts payable	(20 000 00)
Interest on contracts payable	<u>(6 749 99)</u>
Net cash provided (used) by capital and related financing activities	<u>(26 749 99)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>5 706 56</u>
Net increase (decrease) in cash	5 271 53
Cash beginning of year	<u>138 427 07</u>
Cash End of Year	<u><u>143 698 60</u></u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Income (loss) from operations	5 461 18
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:	
Depreciation	9 430 00
(Increase) decrease in receivables	81 57
Increase (decrease) in payables	<u>1 260 00</u>
Net Cash Provided (Used) by Operating Activities	<u><u>16 232 75</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Polkton, Ottawa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Polkton. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental and business type funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Joint Ventures

The Charter Township is a member of Coopersville-Polkton Cemetery Authority. The Charter Township appoints one member to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of June 30, 2004:

Total assets	69 500
Total liabilities	-
Total equity	69 500
Total revenue	39 435
Total expenditures	39 088
Increase (decrease) in fund balance	347
Total joint venture's outstanding debt	-

The Charter Township is also a member of Coopersville Polkton Area Fire Protection Authority. The Charter Township appoints two members to the joint venture's governing board, which then approves the annual budget. The following financial information of the joint venture, obtained from their audit report, is as of December 31, 2006:

Total assets	518 746
Total liabilities	-
Total net assets	518 746
Total revenue	198 934
Total expenditures	149 575
Increase (decrease) in net assets	18 754
Total joint venture's outstanding debt	-

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water enterprise fund are charges to customers for services. The enterprise fund also recognizes as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was 4.1658 mills, and the taxable value was \$79,753,991.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$1,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	40-60 years
Furniture and equipment	3-5 years

Compensated Absences (Vacation and Sick Leave)

Township employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 2 – Budgets and Budgetary Accounting (continued)

8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated two banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>827 804 46</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	100 000 00
Uninsured and Uncollateralized	<u>603 744 04</u>
Total Deposits	<u>703 744 04</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 3 – Deposits and Investments (continued)

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>966 022 37</u>
Total Investments				<u>966 022 37</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

Note 4 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	11 281 82		
Road	169 905 99		
Fire	86 157 39		
Senior services	21 534 19		
Water	<u>11 968 02</u>	Current Tax Collection	<u>402 417 41</u>
Total	<u>402 417 41</u>	Total	<u>402 417 41</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**Note 5 – Capital Assets**

Capital asset activity of the Township's Governmental and Business-Type activities for the current year was as follows:

	Balance 1/1/06	Additions	Deletions	Balance 12/31/06
<u>Governmental Activities:</u>				
Land	24 629 00	-	-	24 629 00
Buildings	277 891 00	-	-	277 891 00
Equipment	22 455 00	-	-	22 455 00
 Total	 324 975 00	 -	 -	 324 975 00
Accumulated Depreciation	(131 999 00)	(8 399 00)	-	(140 398 00)
Net Governmental Capital Assets	192 976 00	(8 399 00)	-	184 577 00
<u>Business-Type Activities:</u>				
Water System	471 511 00	-	-	471 511 00
Accumulated Depreciation	(103 730 00)	(9 430 00)	-	(113 160 00)
Net Business-Type Capital Assets	367 781 00	(9 430 00)	-	358 351 00

**Note 6 – Deferred Compensation Plan**

The Township does not have a deferred compensation plan.

**Note 7 – Pension Plan**

The Township has a defined contribution pension plan covering substantially all full time employees. The Township contributes a portion of each employee's annual salary to the plan and the employees contribute an equal amount. Pension expense for the fiscal year ended December 31, 2006, was \$3,874.52.

**Note 8 – Changes in Long-Term Debt**

A summary of changes in long-term debt follows:

	Balance 1/1/06	Additions	Deductions	Balance 12/31/06
Contract payable – Ottawa County	280 000 00	-	20 000 00	260 000 00
Contract payable – roads	79 862 28	-	79 862 28	-
 Total	 359 862 28	 -	 99 862 28	 260 000 00

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

**Note 9 – Contract Payable – Ottawa County**

On March 1, 1998, the Township entered into an agreement with the County of Ottawa whereby the Township agreed to pay amounts to the County to enable the County to make bond principal and interest payments to retire the 1998 bond issue in the principal amount of \$395,000.00. The bonds were issued to fund part of the cost of a water system extension within the Township. The bonds bear interest at the rate of 2.5% per annum. As of December 31, 2006, \$260,000.00 of the bond principal remained outstanding.

<u>Due Date</u>	<u>Principal Amount</u>
4-1-07	20 000 00
4-1-08	20 000 00
4-1-09	20 000 00
4-1-10	20 000 00
4-1-11	20 000 00
4-1-12	20 000 00
4-1-13	20 000 00
4-1-14	20 000 00
4-1-15	25 000 00
4-1-16	25 000 00
4-1-17	25 000 00
4-1-18	25 000 00
Total	<u>260 000 00</u>

**Note 10 – Contract Payable – Roads**

The Charter Township of Polkton entered into a contract with the Ottawa County Road Commission to finance bridge improvements. The contract required annual payments in varying amounts. During the year ended December 31, 2006, the principal balance was paid in full.

**Note 11 – Risk Management**

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**Note 12 – Transfers In and Transfers Out**

For the fiscal year ended, December 31, 2006, the Township made the following interfund transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	-	10 400 00
Water Fund	<u>10 400 00</u>	<u>-</u>
Total	<u>10 400 00</u>	<u>10 400 00</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

Note 13 – Building Permits

As of December 31, 2006, the Township had building permit revenues of \$17,028.00 and building permit expenses of \$15,493.95.

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	76 428 00	76 428 00	76 491 20	63 20
Licenses and permits	21 975 00	21 975 00	20 382 19	(1 592 81)
State revenue sharing	155 000 00	155 000 00	160 610 55	5 610 55
Charges for services:				
Property tax administration	23 000 00	23 000 00	27 941 50	4 941 50
Landfill	100 000 00	100 000 00	120 183 30	20 183 30
Interest	9 000 00	9 000 00	35 426 19	26 426 19
Rents	1 200 00	1 200 00	750 00	(450 00)
Special assessments	2 000 00	2 000 00	1 843 60	(156 40)
Miscellaneous	8 292 00	8 292 00	24 577 56	16 285 56
Total revenues	396 895 00	396 895 00	468 206 09	71 311 09
Expenditures:				
Legislative:				
Township Board	97 900 00	109 259 00	91 131 39	(18 127 61)
General government:				
Supervisor	13 000 00	13 000 00	12 975 00	(25 00)
Elections	4 100 00	6 600 00	6 237 77	(362 23)
Assessor	15 800 00	15 800 00	15 773 95	(26 05)
Clerk	18 500 00	18 500 00	18 318 24	(181 76)
Board of Review	1 200 00	1 200 00	758 62	(441 38)
Treasurer	18 100 00	21 100 00	18 102 07	(2 997 93)
Building and grounds	18 500 00	18 500 00	17 487 43	(1 012 57)
Cemetery	11 600 00	11 600 00	11 600 00	-
Public safety:				
Police protection	17 000 00	17 000 00	15 785 14	(1 214 86)
Fire protection	74 750 00	74 856 00	165 39	(74 690 61)
Ambulance	20 000 00	20 700 00	20 655 00	(45 00)
Protective inspection	20 000 00	20 000 00	15 493 95	(4 506 05)
Planning Commission	5 200 00	5 200 00	4 809 93	(390 07)
Zoning Board of Appeals	2 300 00	950 00	230 00	(720 00)
Public works:				
Highways and streets	37 370 00	32 000 00	30 802 08	(1 197 92)
Street lighting	2 500 00	3 200 00	3 177 55	(22 45)
Drains	2 000 00	2 000 00	-	(2 000 00)
Other:				
Payroll taxes	2 000 00	2 250 00	2 155 58	(94 42)
Contingency	15 000 00	10 594 00	-	(10 594 00)
Debt service	-	85 232 00	79 862 28	(5 369 72)
Total expenditures	396 820 00	489 541 00	365 521 37	(124 019 63)
Excess (deficiency) of revenues over expenditures	75 00	(92 626 00)	102 684 72	195 330 72

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND  
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Transfers in	80 120 00	80 120 00	-	(80 120 00)
Transfers out	<u>(10 400 00)</u>	<u>(10 400 00)</u>	<u>(10 400 00)</u>	<u>-</u>
Total other financing sources (uses)	<u>69 720 00</u>	<u>69 720 00</u>	<u>(10 400 00)</u>	<u>(80 120 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	69 795 00	(22 926 00)	92 284 72	115 210 72
Fund balance, January 1	<u>551 183 00</u>	<u>551 183 00</u>	<u>662 784 89</u>	<u>111 601 89</u>
Fund Balance, December 31	<u>620 978 00</u>	<u>528 257 00</u>	<u>755 069 61</u>	<u>206 812 61</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROAD FUND  
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	156 517 00	156 517 00	156 695 18	178 18
State revenue sharing	5 370 00	5 370 00	5 572 69	202 69
Interest	<u>1 500 00</u>	<u>1 500 00</u>	<u>6 505 60</u>	<u>5 005 60</u>
Total revenues	<u>163 387 00</u>	<u>163 387 00</u>	<u>168 773 47</u>	<u>5 386 47</u>
Expenditures:				
Public works:				
Highways and streets	-	-	-	-
Debt service	<u>5 370 00</u>	<u>5 370 00</u>	<u>-</u>	<u>(5 370 00)</u>
Total expenditures	<u>5 370 00</u>	<u>5 370 00</u>	<u>-</u>	<u>(5 370 00)</u>
Excess of revenues over expenditures	158 017 00	158 017 00	168 773 47	10 756 47
Fund balance, January 1	<u>173 00</u>	<u>173 00</u>	<u>39 549 50</u>	<u>39 376 50</u>
Fund Balance, December 31	<u><u>158 190 00</u></u>	<u><u>158 190 00</u></u>	<u><u>208 322 97</u></u>	<u><u>50 132 97</u></u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND  
Year ended December 31, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	79 371 00	79 371 00	79 436 36	65 36
Interest	<u>429 00</u>	<u>429 00</u>	<u>1 152 85</u>	<u>723 85</u>
Total revenues	<u>79 800 00</u>	<u>79 800 00</u>	<u>80 589 21</u>	<u>789 21</u>
Expenditures:				
Public safety:				
Fire protection	<u>74 750 00</u>	<u>74 750 00</u>	<u>74 690 00</u>	<u>(59 39)</u>
Total expenditures	<u>74 750 00</u>	<u>74 750 00</u>	<u>74 690 00</u>	<u>(59 39)</u>
Excess of revenues over expenditures	5 050 00	5 050 00	5 898 60	848 60
Fund balance, January 1	<u>15 958 00</u>	<u>15 958 00</u>	<u>16 571 18</u>	<u>613 18</u>
Fund Balance, December 31	<u><u>21 008 00</u></u>	<u><u>21 008 00</u></u>	<u><u>22 469 78</u></u>	<u><u>1 461 78</u></u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2006

Township Board:	
Wages	2 940 00
Administrative assistant	484 00
Supplies	2 013 24
Professional services	3 362 00
Legal	61 404 06
Printing and publishing	2 354 57
Computer service	724 74
Insurance	9 377 00
Pension	3 874 52
Miscellaneous	1 606 33
Memberships and dues	1 630 93
Education	1 360 00
	<u>91 131 39</u>
Supervisor:	
Salary	12 900 00
Expenses	75 00
	<u>12 975 00</u>
Elections	<u>6 237 77</u>
Assessor:	
Salary	14 400 00
Office supplies	1 373 95
	<u>15 773 95</u>
Clerk:	
Salary – Clerk	17 650 00
Salary – Deputy Clerk	60 00
Expenses	608 24
	<u>18 318 24</u>
Board of Review	<u>758 62</u>
Treasurer:	
Salary	15 900 00
Expenses	2 202 07
	<u>18 102 07</u>
Building and grounds:	
Utilities	5 315 76
Repairs and maintenance	11 401 20
Miscellaneous	770 47
	<u>17 487 43</u>
Cemetery	<u>11 600 00</u>
Police protection	<u>15 785 14</u>
Fire Protection	<u>165 39</u>
Ambulance	<u>20 655 00</u>
Protective inspection	<u>15 493 95</u>
Planning Commission	<u>4 809 93</u>
Zoning Board of Appeals	<u>230 00</u>
Highways and streets	<u>30 802 08</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT  
Year ended December 31, 2006

Street lighting	<u>3 177 55</u>
Payroll taxes	<u>2 155 58</u>
Debt service	<u>79 862 28</u>
Total Expenditures	<u><u>365 521 37</u></u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS  
December 31, 2006

	<u>Road</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Senior Services</u>
<u>Assets</u>				
Investments	208 322 97	22 469 78	40 835 71	-
Due from other funds	<u>169 905 99</u>	<u>86 157 39</u>	<u>-</u>	<u>21 534 19</u>
Total Assets	<u><u>378 228 96</u></u>	<u><u>108 627 17</u></u>	<u><u>40 835 71</u></u>	<u><u>21 534 19</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred revenue	<u>169 905 99</u>	<u>86 157 39</u>	<u>-</u>	<u>21 534 19</u>
Total liabilities	<u>169 905 99</u>	<u>86 157 39</u>	<u>-</u>	<u>21 534 19</u>
Fund balances:				
Unreserved:				
Undesignated	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>	<u>-</u>
Total fund balances	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>	<u>-</u>
Total Liabilities and Fund Balances	<u><u>378 228 96</u></u>	<u><u>108 627 17</u></u>	<u><u>40 835 71</u></u>	<u><u>21 534 19</u></u>

Total

271 628 46  
277 597 57

549 226 03

277 597 57  
277 597 57

271 628 46  
271 628 46

549 226 03

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS  
December 31, 2006

	<u>Road</u>	<u>Fire</u>	<u>Public Improvement</u>	<u>Senior Services</u>
Revenues:				
Property taxes	156 695 18	79 436 36	-	19 853 84
State revenue sharing	5 572 69	-	-	-
Interest	<u>6 505 60</u>	<u>1 152 85</u>	<u>1 668 85</u>	<u>-</u>
Total revenues	<u>168 773 47</u>	<u>80 589 21</u>	<u>1 668 85</u>	<u>19 853 84</u>
Expenditures:				
Public safety:				
Fire protection	-	74 690 61	-	-
Other:				
Senior services	<u>-</u>	<u>-</u>	<u>-</u>	<u>19 853 84</u>
Total expenditures	<u>-</u>	<u>74 690 61</u>	<u>-</u>	<u>19 853 84</u>
Excess of revenues over expenditures	168 773 47	5 898 60	1 668 85	-
Fund balances, January 1	<u>39 549 50</u>	<u>16 571 18</u>	<u>39 166 86</u>	<u>-</u>
Fund Balances, December 31	<u>208 322 97</u>	<u>22 469 78</u>	<u>40 835 71</u>	<u>-</u>

Total  
255 985 38  
5 572 69  
9 327 30  
270 885 37

74 690 61  
19 853 84  
94 544 45

176 340 92  
95 287 54  
271 628 46

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
Year ended December 31, 2006

	Balance 1/1/06	Additions	Deductions	Balance 12/31/06
<u>Assets</u>				
Cash in bank	624 197 64	2 563 107 97	2 554 743 42	632 562 19
Taxes receivable	<u>1 298 450 21</u>	<u>2 769 608 65</u>	<u>2 627 389 76</u>	<u>1 440 669 10</u>
Total Assets	<u>1 922 647 85</u>	<u>5 332 716 62</u>	<u>5 182 133 18</u>	<u>2 073 231 29</u>
<u>Liabilities</u>				
Due to other funds	369 270 36	399 165 89	366 018 84	402 417 41
Due to others	<u>1 553 377 49</u>	<u>4 933 550 73</u>	<u>4 816 114 34</u>	<u>1 670 813 88</u>
Total Liabilities	<u>1 922 647 85</u>	<u>5 332 716 62</u>	<u>5 182 133 18</u>	<u>2 073 231 29</u>

CHARTER TOWNSHIP OF POLKTON  
Ottawa County, Michigan

CURRENT TAX COLLECTION FUND  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
Year ended December 31, 2006

Cash in bank – beginning of year	<u>624 197 64</u>
Cash receipts:	
Tax collections – 2005 tax roll	1 220 259 18
Tax collections – 2006 tax roll	1 337 186 80
Interest	<u>5 661 99</u>
Total cash receipts	<u>2 563 107 97</u>
Total beginning balance and cash receipts	<u>3 187 305 61</u>
Cash disbursements:	
Township General Fund	110 000 80
Township Road Fund	151 021 58
Township Water Fund	10 412 87
Township Fire Fund	76 581 00
Township Senior Services Fund	18 002 59
Ottawa County	921 532 16
Northeast Ottawa District Library	326 300 01
Coopersville Area Public Schools	885 581 30
Refunds of overpayments	<u>9 744 34</u>
Total cash disbursements	<u>2 554 743 42</u>
Cash in Bank – End of Year	<u>632 562 19</u>

# CAMPBELL, KUSTERER & CO., P.C.

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## AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

March 9, 2007

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

We have audited the financial statements of the Charter Township of Polkton for the year ended December 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

### AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Polkton in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board  
Charter Township of Polkton  
Ottawa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

### **SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies are described in Note 1 to the financial statements.

### **OTHER COMMUNICATIONS**

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

### **COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY**

Our procedures disclosed the following conditions that we would like to bring to your attention:

#### **SEGREGATION OF DUTIES**

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated December 31, 2006.

### **SUMMARY**

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

*Campbell, Kusterer & Co., P.C.*  
CAMPBELL, KUSTERER & CO., P.C.  
Certified Public Accountants